



1221 N Street, Suite 325
P.O. Box 94816
Lincoln, NE 68509-4816
Phone 402-471-2053
Toll Free 800-245-5712
Fax 402-471-9493
npers.ne.gov

**PUBLIC EMPLOYEES RETIREMENT BOARD
REGULAR MEETING AND EDUCATION CONFERENCE**

JULY 15, 2013

8:45 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:52 a.m., Monday, July 15, 2013, at the Lied Lodge and Conference Center, Stein AB Room, Nebraska City, Nebraska.

The Board members were notified of this meeting by the Agenda posted on the PERB's SharePoint site on Friday, July 12, 2013. Public notice of this meeting was published in the Lincoln Journal Star on Tuesday July 9, 2013, and the Omaha World Herald on Monday, July 8, 2013. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
RICHARD WASSINGER, VICE-CHAIR
ELAINE STUHR
JANIS ELLIOTT
JUDGE RANDALL REHMEIER
STUART SIMPSON
RON ECKLUND
DARRELL FISHER
JEFF STATES, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS
Director
RANDY GERKE
Deputy Director
MATT EFFKEN
Legal Counsel
JOHN WINKELMAN
Training Supervisor
MIDEN EBERT
Retirement Plan Supervisor
FRED TURNER
IT Manager
SENATOR RICK KOLOWSKI
Legislative Retirement Committee
GARY BUSH
AS - State Budget Administrator's Office
KATE ALLEN
Retirement Committee Legal Counsel
KATHY TENOPIR
Legislative Fiscal Office

JASON HAYES
Nebraska State Education Association
ERIC ASBOE
Nebraska Supreme Court
CHERYL WOLFF
Governor's Policy Research Office
ROGIER SLINGERLAND
CEM Benchmarking
MEREDITH WILLIAMS
National Council on Teacher Retirement
PAT BECKHAM
Cavanaugh Macdonald Consulting
BRENT BANISTER
Cavanaugh Macdonald Consulting
REX SCHULTZE
Perry Guthrie Law Firm
VICKI HUBER
Administrative Secretary

Agenda Item 1: D. Blank stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the table by the door.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the July 15, 2013, Board Meeting to order at 8:52 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, R. Ecklund, D. Fisher, and J. States. Absent: S. Simpson.

Agenda Item 4 Chairman's Comments and Introductions: D. Blank recognized Senator Rick Kolowski, Jason Hayes, Kate Allen, and Kathy Tenopir who were in attendance at the meeting.

Agenda Item 5 – Approval of Minutes: R. Wassinger moved for approval of the minutes of the June 17, 2013, Board Meeting. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report & June Retirement Report: J. Elliott moved to approve the Budget Status report and the June 2013 Retirement Report. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 7 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

P. Chambers welcomed everyone and commented on the schedule for the day.

S. Simpson joined the meeting at 8:58 a.m.

Agenda Item 8 – Commentary on the Public Pension Environment: P. Chambers introduced Meredith Williams, the Executive Director of the National Council on Teacher Retirement (NCTR).

M. Williams gave a brief description of the NCTR and its 68 pension plan members; covering approximately 20 million people in the plans they represent. He stated NCTR's goal is to empower trustees and administrators to enhance and protect the retirement security of educators and those who support educators. This is done by providing educational opportunities.

He stated in the last few years, 46 states have made changes in their retirement systems.

M. Williams provided comments and shared experiences on public pension issues. Topics of his presentation included: bankruptcies in systems at this time, basic elements of benefits, the introduction of legal counsel working for retirement systems, and the increase in media coverage.

He believes retirement boards should be dedicated to their fiduciary responsibility and sustainability. He stated it is important to have a projection model to assist in finding a sustainable approach.

M. Williams stated a key trait for a good board is common sense. He recommended having a formal orientation for new trustees and to require continuing education. He commented that it is important to interact with other systems who are experiencing similar issues.

He expressed his concerns for the future of 401Ks, because Americans are not putting enough money into them, they invest poorly, and they terminate their employment and cash out their plans. He stated the average American has a low account balance and he wonders how they are going to retire.

D. Blank thanked M. Williams for his presentation and thoughtful comments.

The Board took a break at 10:18 a.m. and reconvened at 10:34 a.m.

Agenda Item 9 – CEM Benchmarking Report: P. Chambers introduced Rogier Slingerland from CEM Benchmarking. NPERS contracted CEM Benchmarking to do an administrative survey of its operations.

R. Slingerland gave a history of CEM Benchmarking. He stated the company has been working with investment companies for 20 years and began reviewing pension administration 10 years ago. The purpose of their review is to show clients how they compare to their peers. He stated systems use the results of their analysis to improve administrative service levels, manage costs, support business decisions, develop performance goals and standards, measure and manage performance and communicate to stakeholders. NPERS' comparison was done for the fiscal year 2012. The peer group is comprised of systems of the same size, since it is the best way to show cost and how NPERS ranks among similar sized systems. He added that NPERS' funds are small compared to its peers.

He reported NPERS' total pension administration cost was \$68 per active and annuitant. This was \$53 below the peer average of \$121 per member.

The report also includes possible reasons for the results with comparisons in the areas of: economies of scale, transaction volumes (workloads), total productivity, costs for salaries and benefits, third party and other miscellaneous costs in the front-office activities, major project costs, system complexity, service scores by activity, and pension online transactions.

R. Slingerland also commented on current global pension administration issues, including: legislative changes due to funding issues, contending with budget cuts and constraints, baby boomer retirement, education, building a communication strategy for the future, use of business intelligence, and moving to a paperless environment.

Agenda Item 10 – Legal Report: M. Effken reported some revisions are needed to the Rules and Regulations. He stated the purpose of revisions is to parallel legislative changes, to provide better understanding in the language, and to support current operational procedures. He stated four Rules and Regulations will be revised; those four will be drafted and presented to the Board at the August meeting.

E. Stuhr moved to approve the Legal Report. D. Fisher seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 11 – School Compensation and Health Care: P. Chambers introduced Rex Schultze, from Perry, Guthery, Haase & Gessford Law Firm, who focuses his practice on representing public school districts throughout Nebraska.

R. Schultze's presentation reviewed teacher compensation structures in Nebraska, the Patient Protection and Affordable Care Act (PPACA), and how compensation structures relate to retirement contributions.

The types of compensation structures for the payment of salaries and benefits in Nebraska schools are: insurance only, cash-in-lieu, cafeteria plan, and flat salary. There are also hybrid combinations of all four within a bargaining unit.

R. Schultze commented that Nebraska schools are generally in compliance with the PPACA. He stated only cafeteria plan schools and flat salary schools are currently not in compliance, since those plans do not meet the requirements of "minimum essential coverage."

P. Chambers explained NPERS is concerned that all members' benefit calculations are based on the same compensation definition, per statute.

Agenda Item 12 – Actuary Transition Report: D. Blank introduced Pat Beckham and Brent Banister from Cavanaugh Macdonald Consulting, the new actuaries. He mentioned they performed the actuarial audit four years ago.

P. Beckham reported working on the transition during the last few months. She explained the transition services, the purpose of a replication, and the information used. She reported the replication valuations for all retirement plans, overall results, and additional transition services.

She stated the replication results, in aggregate, are within acceptable ranges based on their understanding of Buck's methods. They may be refined to better estimate liabilities. She stated their next report will provide July 1, 2013, projections for the School, Judges, and Patrol plans. Upcoming projects include: projection reports for 5 and 30 year projections and baseline, plan valuations in November, and planning a design model. She is working with NPERS staff, with input from the Retirement Committee and the Budget Office. Using the 2013 valuation results, she expects to have the model completed in January 2014, depending on the number of options and variables to be included.

B. Banister reported on Governmental Accounting Standards Board (GASB) standards. GASB develops standards for accounting and financial reporting by state and local governments. The two sets of standards are financial reporting for the plan and financial reporting for the employer. His report included a comparison of major changes in GASB 25 and 27, which are being replaced with GASB 67 and 68.

He also included information on the Blue Ribbon Panel, created by the Society of Actuaries to determine the causes of plan underfunding and develop recommendations for plan trustees, legislators, and plan advisors.

D. Blank thanked the actuaries for their report.

Agenda Items 13 and 14 – Executive Session: At 2:43 p.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications of Retirement Nos. 176591, 134543, 116693, 115083; Emergency Deferred Compensation Applications for Retirement Nos. 701943 and 700537; the Director's Salary; and other legal matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members

voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 3:26 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. D. Fisher seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Ecklund moved for approval of the Disability Applications of Retirement Nos. 176591 and 115083, with a reexamination in one year for Retirement No. 115083. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Ecklund moved to deny the Disability Applications of Retirement Nos. 134543 and 116693. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Ecklund moved for approval of Emergency Deferred Compensation Application for Retirement No. 701943 in the amount of \$5,233.69. S. Simpson seconded the motion. Member's voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved for approval of Emergency Deferred Compensation Application for Retirement No. 700537 for 100% of the account balance. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: R. Ecklund. Motion carried.

R. Wassinger moved for approval to increase the Director's salary by 4%. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 15 – Director's Report: P. Chambers reported NPERS is busy with School retirements. Staff is working overtime, trying to get them completed in 90 days or less.

P. Chambers reported working on plans for the upcoming move. She stated notification of the move has been included in newsletters, account statements, and on the NPERS website. Additional notification will be included in the COLA letters that will be sent this month. She stated all correspondence will include information on the move. A separate mailing is not planned, since it would cost about \$10,000.

She reported NPERS has been asked to participate in a survey for PEW Research Center. She stated NPERS is willing to provide information regarding the survey in the NPERS Newsletter, so members can participate if they choose.

P. Chambers reported F. Turner continues to work on transitioning NPERS' backup services to the Office of the Chief Information Officer (OCIO). She stated the communication and reliability has not been as expected and the server warranties were extended to continue coverage until the issues can be resolved.

Regarding the State Patrol IRS determination letters, P. Chambers reported information was sent to David Powell which has been forwarded to the IRS. She stated that other Deferred Retirement Option Plans (DROPs) around the nation have reported delays in approval.

P. Chambers reported attending the NCTR Directors meeting in Albany, NY. The meeting was held at the New York Teachers Retirement Systems offices. She described the tour of their facilities and operations and how they differ with NPERS.

P. Chambers requested permission to attend the NCTR Annual Conference in Washington, D.C. on October 5-9, 2013, with \$3200 in expenses.

She reported on recent personnel changes at NPERS. Two Retirement Specialist openings were filled with internal candidates and she announced there currently are positions open in the Data Services and Internal Audit departments.

S. Simpson moved to approve the Director's Report and request for travel to the NCTR Annual Conference October 5-9, 2013, with expenses up to \$3200. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 16 – Recap of Day's Topics & Retreat Evaluation: D. Blank encouraged the Board to complete the Retreat Evaluation. S. Simpson commented it was nice to have all documents provided electronically prior to the Retreat.

Agenda Item 17 – Board Committees and Travel Requests: At the March 18, 2013, Board meeting the Board approved J. Elliott's request for travel and expenses to the NCTR Trustee Workshop in Boston, MA. J. Elliott requested to increase her travel expenses to \$3200. She also informed the Board that she has been asked to speak on a panel during the conference.

E. Stuhr moved to approve J. Elliott's request to increase her travel expenses up to \$3200 for the NCTR Trustee Workshop, July 29-31, 2013. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 18 – Future Meetings/Agendas: The next meeting will be held on Monday, August 19, 2013, in the Great Western Bank Conference Center at 1221 "N" Street.

D. Blank commented on going paperless. It was decided that no paper materials will be provided for the Board members at future meetings. Documents will all be in electronic form for the PERB and hard copies will be provided for non-board members in attendance.

D. Blank requested P. Chambers plan another Disaster Recovery exercise.

D. Blank encouraged the Board members to attend training opportunities. The International Foundation of Employee Benefit Plans and the NCTR were mentioned as examples of organizations that offer education on several topics. NPERS' Education Services Department will continue to provide a list of educational opportunities for the Board.

D. Blank thanked everyone for their participation and planning.

Adjournment: D. Fisher moved that the meeting adjourn. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 3:56 p.m.



Phyllis G. Chambers
Director